

European Journal of Business and Management  
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)  
Vol 3, No.7, 2011

[www.iiste.org](http://www.iiste.org)



## Does Corporate Entrepreneurship matter for Organizational Learning Capability? A Study on Textile Sector in Pakistan

Bashir Ahmed

Department of Business Administrative,  
Government College University, Faisalabad, Pakistan

[ahmedbashir7@yahoo.com](mailto:ahmedbashir7@yahoo.com)

Hazoor Muhammad Sabir

Department of Business Administrative,  
Government College University, Faisalabad, Pakistan

[Hazoor.sabir@yahoo.com](mailto:Hazoor.sabir@yahoo.com)

Nadeem Sohail

College of Commerce

Government College University, Faisalabad, Pakistan

[Sohail5241@hotmail.com](mailto:Sohail5241@hotmail.com)

Raheel Mumtaz

Department of Business Administrative,  
Air University, Islamabad, Pakistan

[raheelmumtaz564@yahoo.com](mailto:raheelmumtaz564@yahoo.com)

Received: 2011-10-15

Accepted: 2011-10-26

Published: 2011-11-04

### Abstract

The paper aims to investigate the relationship between corporate entrepreneurship and organizational learning capability. A survey method was undertaken to collect data from 240 middle level managers working in textile industry through convenience sampling method. Results indicate a positive and significant relationship between variables. Practical implications of the study are that if any organization which tends to be more innovative and risk taking has the more learning capability. Furthermore, entrepreneurship training programs could lead to enhancing competences which are important for entrepreneurship.

**Key Words:** Corporate entrepreneurship, Organizational Learning Capability, Textile Sector, Pakistan.

### Introduction

At present, the intense competition in business environment has alerted the companies to monitor their competitors on continuously. As, the technological revolution in business world has changed the way of interacting with customers and boost growth in some industries but on the other hand damage badly some

businesses also. In this situation, any firm that do not focus on continues development, adapting, and acquiring of innovative technological advances in this changing environment my not be able to sustain on long term basis. The management strategic decisions play a vital role for organizational effectiveness in this scenario (Merrifield1993). Globalization of business is creating substantial changes through out the world. This phenomenon has changed the markets trends, customers' preferences, competitors and style of management also. Kemelgor (2002) emphasizes that stagnation in business environment shrink the market share or permanent and quick failure. In such kind of turbulent environment, an organization must be innovative to remain competitive on continues basis.

Incremental innovations are the life blood for organizational well being and competitive advantage (Herbert & Bazell, 1998, Kemelgor 2002). Corporate entrepreneurship might be helpful for any organization to cope up all challenges facing today. These challenges emphasize the need for businesses to respond in more entrepreneurial way (Brazel & Herbert, 1999). A good number of companies are now fostering entrepreneurship and developing new looms for innovation so that to generate new businesses opportunities and maximize profit. Innovation, profitable growth, and continuous growth of business are the spirit of entrepreneurship (Drucker, 1985; Khandwalla, 1987; Lumpkin & Dess 1996). The main aim for entrepreneurship is identify the factors which emerge customer dissatisfaction and adopt new ways to remove them (Ramachandran, 2003).

Presently, many companies in Pakistan want to get competitive advantage over their competitor. Organizational learning capability of those firms helping them to achieve their objectives. It is vital to get advantage of the competitors to offer distinct goods and services to different customers according to their preferences.

According to Stevenson et al., (1989) Corporate Entrepreneurship (CE) is a phenomenon which helps business managers to identify new opportunities for business without looking the resources they have presently. It is vital for an entrepreneurial manager to articulate emerging technological knowledge to solve the customers' problems according to market trends and needs. By doing this, he will be able to give a new birth to the business and transform business ideas into reality (Guth & Ginsberg, 1990). Empirically researchers explain the characteristics of corporate entrepreneurship as organizational activities that discover and pursue new business opportunities through innovation, venture, and renewal (Ling et al., 2008).

Previously, various researchers have estimated the relationship between organization learning capabilities and innovation (Calantone et al., 2002) but not found any positive relationship. This study has the objective to fill the gap by working on organizational learning capability, organizational innovation and corporate entrepreneurship.

The major purpose of this study is identifying the relationship between corporate entrepreneurship and organizational learning capability. This study is helpful to understand this phenomenon in Pakistani culture and has significant contribution in corporate entrepreneurship literature. Although this area has widely explored across the cultures but still have a lot potential to be explored. This research has very useful implication in Pakistani corporations, especially for manger to cope up existing challenges in the industry and increase corporate growth. Entrepreneurial manager will understand how organizational learning capabilities them to make organization more innovative and customers focus oriented.

## Literature Review

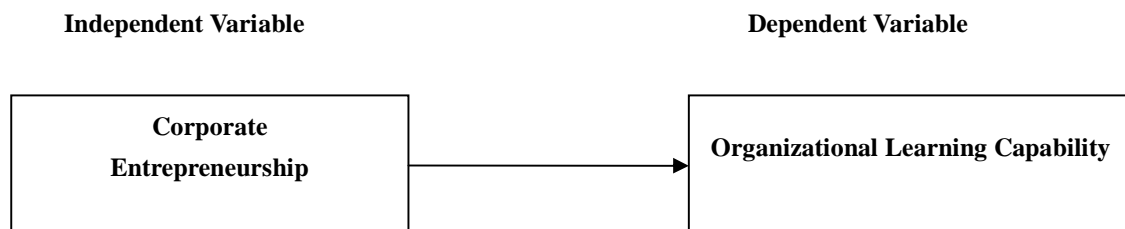
Organizational learning capability is an important factor that has been getting increasing importance for academia and business people Organizational learning capability is characterized as organizational and managerial factors which make an organizational process and organization to learn more effectively (Yeung et al., 1999). Basic learning skills for any organizations based experiments and new ideas ( Koc & Ceylan,

2006). Coalitions, technology transfer and agreements with universities about research and development might be a potential source for external learning, which leads to innovation (Alegre & Chiva, 2008; Chipika & Wilson, 2006; Chiva & Alegre, 2009). Risk taking is characterized as the level of tolerating with uncertainty, ambiguity, and errors (Chiva & Alegre, 2009). Failure has been considered as the most effective tool for organizational learning (Sitkin 1996). Dialogue and participative decision making makes employees more confident and develop trust which is also considered vital for organizational learning (Chiva & Alegre, 2009; Cotton et al., 1988).

It is clear that ability to learn is considered as a key factor for organizational effectiveness (Alegre and Chiva, 2008). Innovation is considered as the adoption of new ways to do something (Scott & Bruce, 1994). Therefore, organizational innovation can be in various forms like new product, service, production procedure or technology and management strategy (García-Morales et al., 2007).

Corporate entrepreneurship can be defined as the process which helps organizations to capture opportunities and manage the factor of production in more efficient way (Jones & Butler 1992). This process may found in any organization at any level and area (Schindehutte et al., 2000). Corporate entrepreneurship has multiple dimensions like process innovation, strategic renewal, product and services innovation, pro activeness, risk taking and organizational innovation. Generally corporate entrepreneurship is considered an important factor for organizational performance (Pinchot 1985). Empirically, it has been investigated that corporate entrepreneurship provide basis for organizational learning (Slater & Narver, 1995). Sinkula (1994) express that organizational learning capability increase organizational knowledge. H1: Corporate entrepreneurship is positively related with organizational learning capability

## Theoretical Framework



## Research Design

### Sample and Procedure

This study was cross – sectional. The target population was composed of middle level managers from textile sector in Pakistan. Data was collected through survey method. This study reveals 240 valid questionnaires. The response rate was 54%. SPSS was used to analyze data. Approximately 77% respondents were males. Majority of respondents were graduates and in the age group of 30 to 40 ears.

### Measurement of Constructs

Corporate entrepreneurship was measured by using a scale developed by Zahra et al., (2000). Scale reliability is 0.77 which is greater than 0.7 (Nunnally, 1978). A 14 items scale to measure the organizational learning capability composed by Alegre and Chiva (2008) was used. A 7 point Likert scale was used ranging from 1 to 7. 1 represented total disagreement and 7 total agreements. Cronbach's alpha was employed to asses the reliability which was 0.79. That was above from 0.7 (Nunnally, 1978).

## Results

### Correlation and Regression Analysis

Correlation matrix shows that corporate entrepreneurship has positive and significant relationship with organizational learning capability. As for regression analysis, it explains the intensity of relationship between variables. Regression analysis explains that Corporate entrepreneurship as a predictors, has 0.484 ( $R^2 = 0.225$ ) and the adjusted  $R^2$  which explains 22.0% variation in organizational learning capability. T-value is 9.686 and p-value is 0.000. It means there is positive and significant relationship. Results are supporting the developed hypothesis. So on the basis of these results the  $H_0$  is accepted.

### Conclusion

The major purpose of this study was to investigate the relationship between corporate entrepreneurship and organizational capability. Environment of any organization has influence of organizational learning capability. If an organization has promoted innovation than that organization has more capacity to learn. The results of this study also support the findings of previous research. Dibella et al., (1995) found that experimentation also enhance the learning capability. So it is clear that corporate entrepreneurship has the positive influence on organizational learning capability. Organizations and managers which promote innovation, risk taking tendency, and believe on experimentation can learn more and get advantage over competitors. So the findings of this research have much use for implication for managers working in textile sector in Pakistan specifically and all industry generally. If any organization want to get competitor advantage over competitor than it has to think in different way. Focus on more and more research and development take risk and introduce innovative product and services in the market. This study has numerous limitations. First, this study was cross sectional in nature. Second, this study was on textile sector so the result can be generalized in different sectors. This study has geographical limitation also as this study was conducted in Faisalabad, so the data was collected on from one city. Future study must work on these limitations and some other factors like culture of the organization take into account.

### References

- Alegre J, Chiva R (2008). Assessing the impact of organizational learning capability on product innovation performance: An empirical test. *Technovation* ,28, 315–326.
- Calantone, R. J., & Cavusgil, T., & Zhao, Y. (2002). Learning orientation, firm innovation capability, and firm performance. *Ind. Mark. Manage.* 31, 515–524.
- Chipika, S., & Wilson, G. (2006). Enabling technological learning among light engineering SMEs in Zimbabwe through networking. *Technovation*, 26 (8), 969–979.
- Chiva, R., & Alegre, J. (2009). Organizational Learning Capability and Job Satisfaction: an Empirical Assessment in the Ceramic Tile Industry. *Br. J. Manage*, 20, 323–340.
- Cotton, J. L., Vollrath, D.A., Foggat, K. L., Lengnick-Hall, M. L., & Jennings, K. R. (1988). Employee participation: Diverse forms and different outcomes. *Academy of Management Review*, 13 (1), 8–22.
- Drucker, P. F. (1985). *Innovation and entrepreneurship*: New York , NY: Harper and Row.
- Dibella, A. J., Nevis, E. C., & Gould, J. M. (1996). Understanding organizational learning capability. *Journal of Management Studies*, 33(3), 361–379.

Garcia-Morales, V.J., Llorens-Montes, F. J., & Verdu-Jover, A. J. (2007). Influence of personal mastery on organizational performance through organizational learning and innovation in large firms and SMEs. *Technovation*, 27(9), 547-568.

Guth, W. D., & Ginsberg, A. (1990). Guest Editors' Introduction: Corporate Entrepreneurship. *Strategic Management Journal*, 11(5), 5-15.

Herbert, T. T & Brazeal, D.V. (1998). *The future corporation: Corporate entrepreneurship on the fly*. [http: www.sbaer.uca.edu/docs/proceedings](http://www.sbaer.uca.edu/docs/proceedings).

Jones, G. R. & Butler, J. E. (1992). Managing internal corporate entrepreneurship: Agency theory perspective. *Journal of management*, 18, 733-749.

Khandwalla, P. N. (1987). Generator of Pioneering- innovative management : Some Indian Evidence. *Organization studies*, 8(1), 39-59.

Kemelgor, B. H. (2002). A comparative analysis of corporate enterprenural orientation between selected firms in the Nether Land and USA. *Entrepreneurship and regional development*, 14, 67-87.

Ling, Y., Simsek, Z., Lubatkin, M. H., & Veiga, J. F. (2008). Transformational leadership's role in promoting corporate entrepreneurship: examining the CEO-TMT interface. *Academy of Management Journal*, 51(3), 557–576.

Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the enterprenural orientation, construct and linking it to performance. *Academy of management review*, 21(1), 135-172.

Merrifield, D. B. (1993). Entrepreneurial Corporate Renewal. *Journal of Business Venturing*, 8(5), 383-389.

Nunnally J (1978). Psychometric Theory. McGraw-Hill, New York.

Ramachandran, K. (2003). Customer Dissatisfaction as Sources of Entrepreneurial opportunity. *Nanyang Business Review*, 2(2), 21-38.

Scott, S. G., Bruce, R. A. (1994). Determinants of innovative behavior: A path model of individual innovation in the workplace. *Academy of Management Review*, 37, 580–607.

Schindehutte, M., Morris, M. H., & Kuratko, D. (2000). Triggering events, corporate entrepreneurship and marketing function. *Journal of Marketing Theory and Practice*, 18 – 30.

Slater, S. F. & Narver, J. C. (1995). Market orientation and the learning organization. *Journal of Marketing*, 59(3), 63-74.

Sinkula, J. (1994). Market information processing and learning organization. *Journal of Marketing*, 58, 34-45.

Sitkin, S. B. (1996). Learning through failure. In: Cohen, M., Sproull, L. (Eds.), *Organizational Learning*. Sage Publications, California.

Stevenson, H. H., Roberts, M. J., & Grousbeck, H. I. (1989). *New Business Ventures and the Entrepreneur*. Homewood, IL: Irwin.

Yeung, A. K., Ulrich, D. O., Nason, S. W., & Von Glinow, M., 1999. Organizational Learning Capability. Oxford University Press, New York, 1999.

Zahra, S.A., Nielsen, A. P., & Bogner, W. C. (1999). Corporate entrepreneurship, knowledge, and competence development. *Entrepreneurship Theory and Practice* 23,169–189.

**Table - 1**  
**Correlation Matrix**

	Organizational Learning Capability	Corporate Entrepreneurship
Organizational Learning Capability	1	.430(**)
Corporate Entrepreneurship	.430(**)	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

**Table - 1**  
**Regression Analysis**

Model	B	Std. Error	Beta	t	Sig.
Constant	1.424	.123		10.796	.000
Corporate Entrepreneurship		.062	.4895	9.686	.000
Model Fitness	(R <sup>2</sup> = 0.225; Adjusted R <sup>2</sup> = 0.220)				F = 68.52
	0.000				

\*\* Correlation is significant at the 0.01 level (2-tailed).

This academic article was published by The International Institute for Science, Technology and Education (IISTE). The IISTE is a pioneer in the Open Access Publishing service based in the U.S. and Europe. The aim of the institute is Accelerating Global Knowledge Sharing.

More information about the publisher can be found in the IISTE's homepage:

<http://www.iiste.org>

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. **Prospective authors of IISTE journals can find the submission instruction on the following page:**

<http://www.iiste.org/Journals/>

The IISTE editorial team promises to review and publish all the qualified submissions in a fast manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request of readers and authors.

### **IISTE Knowledge Sharing Partners**

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

